



**marbob**  
energy corporation

January 18, 2000

Exxon Mobil Production Company  
396 W Greens Road  
Houston, Texas 77067-4530

Attention: Mr. Charlie Howell

RE: Giles State Com #1  
S/2 Section 15  
T-17S, R-35E, N.M.P.M.

Dear Howell:

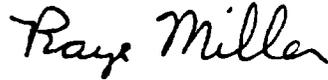
Marbob Energy Corporation has acquired a farmout from Branex Resources, Inc. on all of their Atoka Morrow rights on the above described location. Our review of title indicated that we now control 100% of the S/2 rights except for your rights as to the Morrow formation under State Lease b-2795 (rights below 12,248 feet subsurface) on the E/2SE/4. Marbob would like to drill as soon as possible and we currently have two FWA Peterson rigs working for us which either one could catch this location for us. We understand that Mr. Grooms with Branex has been discussing with you, through your Midland office, a term assignment request covering your Morrow rights on that 80 acre tract. We would affirm, as successors to Branex, our desire to receive that term assignment as to rights below 12,248' on the E/2SE/4 at a 75% net revenue interest with a six-month term. Additionally, we would also submit for your consideration, our Authority for Expenditure for this well such that if you desire to join in the drilling of the Morrow test, you can sign the AFE and return it with a list of your notice and geologic requirements. It is certainly our request that we make some type of deal where we can spud our well within the time frame of the farmout agreement. As such, if you believe there is a more suitable way, such as an outright sale or some other trade that would be more acceptable to your management, please advise me. Finally, I would be willing to come to Houston and meet with your team any time in the next couple of weeks to answer any questions you may have about the prospect or us. If there is anything you need, please contact me. If your management is unwilling to

P.O. Box 227 Artesia, New Mexico 88211-0227 (505) 748-3303 Fax (505) 746-2523

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 12358 Exhibit No. 3  
Submitted by:  
Marbob Energy Corporation  
Hearing Date: March 15, 2000

make some trade or to join in this prospect, we will have no choice but to file a force pooling to be able to drill this prospect in a timely fashion. Please advise me of anything which we can do to speed up your internal process. Thank you for your help in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Raye Miller".

Raye Miller  
Land Department

RM/rc

Encl

CC: Mr. Bill Carr  
Campbell, Carr, Berge, Sheridan  
P.O. Box 2208  
Santa Fe, NM 87504-2208

**AUTHORITY FOR EXPENDITURE**

DATE 1/14/2000

AFE No. 2000-004 LEASE NAME GILES STATE COM WELL No. 1  
 DESCRIPTION 1980' FSL 660' FEL COUNTY LEA  
 STATE NEW MEXICO AREA MID-WAY UPPER PENN WEST OPERATOR MARBOB ENERGY CORPORATION  
 PROJECT LOWER MORROW PREPARED BY D. CHANDLER  
 EXPLORATION  DEVELOPMENT  RESULTS: OIL  GAS  DRY  T.D. 12,650' DATE 1/14/2000

DRILLING INTANGIBLES:	DRY HOLE WITHOUT PIPE	COMPLETED WELL	ACTUAL COST	OVER (UNDER)
LOCATION, ROADS, PITS, DAMAGES	\$25,000	\$ 4,000		
FOOTAGE <u>21.75</u> FT. @ <u>12,650'</u> /FT.	311,137			
DAY WORK <u>6</u> DAYS WDP @ \$ <u>6000</u> /DAY				
<u>5</u> DAYS WODP @ \$ <u>5800</u> /DAY		29,000		
CEMENT AND CEMENTING	23,000	18,000		
TESTING AND CORING	10,000			
LOGGING	28,000			
PROFESSIONAL SERVICES (LEGAL, ENGINEERING, GEOLOGICAL, SURVEY)	18,500			
MUD MATERIALS, FUEL, WATER	65,500			
BITS, COREHEADS AND RENTALS	6,000			
MISCELLANEOUS SERVICES (INC. MARINE, RIGGING, WELDING ETC.)	4,500			
MISCELLANEOUS (INC. LABOR & TRANSPORTATION & BLOWOUT INS.)	4,000			
CONTINGENCY — <u>    </u> %	24,782			
ADMINISTRATIVE, GENERAL EXPENSE		7,000		
<b>TOTAL DRILLING</b>	<b>520,419</b>	<b>578,419</b>		
<b>COMPLETION INTANGIBLES:</b>				
COMPLETION UNIT <u>10</u> DAYS/HRS. @ \$ <u>1500</u>		\$ 15,000		
CEMENT AND CEMENTING		16,400		
PERFORATING AND LOGGING		22,000		
FRAC AND/OR ACID TREATMENT		6,700		
FUEL, WATER, POWER		4,000		
BATTERY CONSTRUCTION - DIRT WORK, ETC.		8,600		
COMPLETION TOOLS AND EQUIPMENT - RENTALS		4,500		
PROFESSIONAL SERVICES (LEGAL, ENGINEER., GEOLOGY, ETC.)		2,000		
MISCELLANEOUS SERVICES (INC. MARINE, WELDING, BACK FILL, ETC.)		11,000		
OTHER (INCLUDING LABOR & TRANSPORTATION)		4,510		
CONTINGENCY — <u>5</u> %				
<b>TOTAL COMPLETION</b>		<b>94,710</b>		
<b>TOTAL INTANGIBLES</b>	<b>520,419</b>	<b>\$673,129</b>		
<b>DRILLING AND COMPLETION TANGIBLES</b>				
CASING <u>450</u> FT. <u>13 3/8", 48#</u> @ \$ <u>16.75</u> /FT.	7,537	\$ 7,537		
<u>2100,600</u> FT. <u>8 5/8", 24# &amp; 32#</u> @ \$ <u>7.90 &amp; 13.65</u> /FT.	24,780	24,780		
<u>2300</u> FT. <u>8 5/8", J55 32#</u> @ \$ <u>10.25</u> /FT.	23,575	23,575		
<u>12650</u> FT. <u>5 1/2", 17#</u> @ \$ <u>6.70 &amp; 7.11</u> /FT.		86,087		
TUBING <u>12650</u> FT. <u>2 7/8", N-80</u> @ \$ <u>3.38</u> /FT.		42,757		
WELLHEAD EQUIPMENT	3,800	12,300		
FLOATING EQUIPMENT, CENTRALIZERS, SCRATCHERS		6,000		
RODS _____ FT. _____ @ \$ _____ /FT.				
SUBSURFACES EQUIPMENT - BH PUMP, ETC.		10,000		
LINE PIPE _____ FT. _____ @ \$ _____ /FT.				
_____ FT. _____ @ \$ _____ /FT.				
TANKS, TREATERS, SEPARATORS, LINERS, WALKS, ETC.		35,000		
GAS PROCESSING UNIT				
MARINE - BARGES, PLATFORMS, ETC.				
PUMPING UNIT AND ENGINE				
OTHER MISCELLANEOUS EQUIPMENT (FENCES, CULVERT, TOOLS, ETC.)				
CONTINGENCY — <u>5</u> %	2,984	12,401		
<b>TOTAL EQUIPMENT COST</b>	<b>62,676</b>	<b>\$260,437</b>		
<b>TOTAL WELL COST</b>	<b>\$583,095</b>	<b>\$933,566</b>		
LEASES _____ ACRES @ _____ PER ACRE				
<b>TOTAL WELL AND LEASE COST</b>				

**APPROVALS:**

OPERATOR Marbob Energy Corporation BY John R. Gray WI 75 % DATE 1/17/2000  
 COMPANY \_\_\_\_\_ BY \_\_\_\_\_ WI \_\_\_\_\_ % DATE \_\_\_\_\_  
 COMPANY \_\_\_\_\_ BY \_\_\_\_\_ WI \_\_\_\_\_ % DATE \_\_\_\_\_

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:  
 CHARLIE HOWELL  
 EXXON MOBIL PROD CO  
 396 GREENS RD  
 HOUSTON, TX 77067-4530

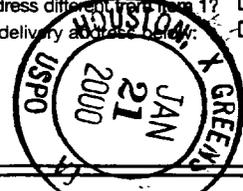
JAN 26 2000

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature  
 X *Angela Carroll*  Agent  Addressee

D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No



3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number (Copy from service label)

7 134 976 643



**marbob**  
energy corporation

January 24, 2000

Exxon Mobil Production Company  
396 West Greens Road  
Houston, Texas 77067-4530

Attn: Mr. Paul Keffer

RE: Giles State Com #1  
S/2 Section 15  
T-17S, R-35E, N.M.P.M.  
Lea County, New Mexico

Dear Mr. Keffer:

Pursuant to our discussions, Marbob Energy Corporation would request a farmout on your rights in the E/2SE/4 as to depths below 12,248 feet subsurface down to 100 feet below depth drilled not to exceed the base of the Morrow formation. We would request a 75% net revenue interest until payout converting to a 70% NRI after payout. We would request that if pipe is run to the Morrow formation and production is established at any depth in the wellbore, Marbob would earn an assignment of your rights as described above, and that payout would be calculated based on all depths. As I indicated to you, our primary target is an Atoka zone found in the recent Concho well in the N/2. If we are successful in finding that same channel, we would probably want to complete it first to avoid any drainage by their well. The Morrow is our secondary target and their well is currently producing from that horizon. We believe that when we commence drilling that they will recompleat their well into the Atoka. As such, we would request that we maintain your interest as long as production is maintained at any depth in this wellbore such that a later recompleat could be done. If we are successful in the

Atoka, payout may have been achieved prior to completing in your horizon.

If you have any questions regarding this request, please contact me.

Sincerely,

*Raye Miller*

Raye Miller  
Land Department

RM/mm



BRANEX RESOURCES, INC.  
POST OFFICE BOX 2328  
ROSWELL, NEW MEXICO 88202  
(505) 623-2840

Mobil Correspondance

FILE COPY

January 3, 2000

**Mr. Danny Pequeno  
Landman**

Mobil Producing Texas and New Mexico, Inc.  
P.O. Box 633  
Midland, Texas 79702

JAN 10 2000

Certified Mail Return Receipt Requested

Re: Request for copies of JOA dated June 1, 1987 by and between Sun Exploration and Production Company as Operator and Mobil Producing Texas and New Mexico, Inc. as Non-Operator and "Exchange Agreement" dated October 31, 1989 by and between the same parties and affecting the following lands to wit;

TOWNSHIP 17 SOUTH OF RANGE 35 EAST, NMPM

Section 15: E/2SE/4,  
Lea County, New Mexico  
State of New Mexico OGL SN# B-2735

Gentlemen:

Branex Resources, Inc. and various other parties are the present owners of operating rights from the "Surface to the base of the Atoka Formation" under the above oil and gas lease. This lease was originally assigned by Mobil Producing Texas and New Mexico, Inc. to Sun Exploration and Production Company Inc. by assignment dated October 31, 1989 and recorded in Lea County, New Mexico oil and gas records Book 445 at Page 11. Mobil had originally committed its interest in this lease to the above referenced JOA wherein the memorandum thereof described the contract area as being the "S/2, Section 15, T17S-R35E, from the Surface to the base of the Atoka Formation". The memo of this JOA was recorded in Lea County, New Mexico oil and gas records Book 486 at Page 514. The C-105 filed in connection with the well drilled pursuant to this JOA states that the well was drilled to a total depth of 12,248 and was completed in the "Atoka Formation". We are enclosing herein copies of all of the referenced documents for your information.

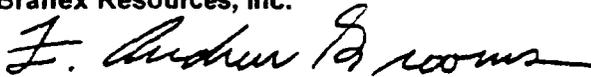
Based on the C-105 and the Memorandum of JOA we are assuming that the assignment that we have from Mobil (Book 445, Page 11) would include a horizontal depth of a maximum of 12,348' (C-105 reported total depth by Sun E&P Inc. plus 100'). In order to clear this matter up we hereby make request of Mobil for the following items;

- 1). Copy of the June 1, 1987 JOA as referenced above;
- 2). Copy of the Exchange Agreement dated October 31, 1989 as referenced above;
- 3). A recordable instrument from Mobil clarifying that the statement "Surface to the base of the Atoka Formation" as used in our assignment includes the depths from surface to 12,348';

We need to obtain this clarification prior to the drilling of a well in order to avoid any confusion since the term "Surface to the base of the Atoka Formation" was not tied to any other well drilled in the area at the time. We will have to obtain the requested information or we shall have to file a quiet title suit to adjudicate the rights owned by us under this oil and gas lease and we obviously would prefer to simply agree in writing that our rights in this lease run from the surface to 12,348' but not below. I will greatly appreciate your attention and consideration to the matter as soon as possible. Thank you for your help and please call me at 505-622-1001 if you have any questions as regards this matter.

Yours truly,

**Branex Resources, Inc.**

A handwritten signature in cursive script, appearing to read "F. Andrew Grooms".

F. Andrew Grooms  
President

/encl.